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**TO: Economic Support Supervisors
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**FROM: Amy Mendel-Clemens
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Division of Health Care Financing**

BEM/DWS OPERATIONS MEMO			
No:	06- 01		
	Second Correction 1/10/06		
DATE:	01/03/06		
FS	<input type="checkbox"/>	MA	<input type="checkbox"/>
CTS	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>
FSET	<input type="checkbox"/>	EA	<input type="checkbox"/>
JAL	<input type="checkbox"/>	JC	<input type="checkbox"/>
WIA	<input type="checkbox"/>	Other	<input type="checkbox"/>
		EP	<input type="checkbox"/> ★
PRIORITY: HIGH			

SUBJECT: Wisconsin Share Child Care Subsidy Payment Policy Changes

CROSS REFERENCE: Child Care Manual, Chapter 1, section 8.2.1, Chapter 3, sections 2.4.0 and 2.8.0

EFFECTIVE DATE: FEBRUARY 26, 2006

PURPOSE

The purpose of this memo is to describe the payment policy changes in the Wisconsin Shares Child Care Subsidy program.

BACKGROUND

As you may recall, the Governor vetoed the 15 percent copay increase that had been added to the budget by the Legislature. The veto negates the projected \$7.4 million biennial savings. The Governor's veto message stated that the Department of Workforce Development (DWD) has determined that by implementing additional efficiencies through a more equitable rate allocation sufficient savings will accrue to offset revenues that would have been collected by a 15 percent increase in copays. Additionally, the number of families and children served by Wisconsin Shares has continued to increase as more low income families enter the job market.

The Governor made it clear that cost efficiencies for the Wisconsin Shares program would not be done in a way that would directly disadvantage parents who rely on the program to ensure their employment. DWD is faced with finding ways to make Wisconsin Shares more efficient while avoiding tactics used by other states such as waiting lists, higher copays, and multiple years of frozen provider rates.

Therefore, DWD has decided to implement the following cost saving measures, effective February 26, 2006:

1. Continue to implement the Before/After School Rate policy.
2. Continue to use the 2005 maximum county rates through February 25, 2006.
3. Implement new rates that are calculated based upon the percent of population in each county that lives in an urban area. The county/tribe will be placed in one of four rate zones based upon percent of urbanization. The four rate zones are 0-24%, 25-49%, 50-74%, and 75-100%. Rates will be capped so that no rate is increased or decreased by more than 10%.
4. Standardize the divisor statewide to 35 for all counties/tribes and all provider categories.
5. Eliminate the 10 day notice so that the authorization ends the last week the child is in care.
6. Eliminate paying registration fees.

While these policy changes will provide a cost savings, they will also make the Wisconsin Shares program more equitable and efficient across the state. These changes represent ways by which the program can continue to serve those who need it while controlling spending.

DWD recognizes that some of these changes may place additional burdens on some providers and will require some parents to assume more responsibility for their child care arrangement.

POLICY/AUTOMATION

FREEZE 2005 MAXIMUM COUNTY/TRIBAL RATES

DWD has determined that 2005 Maximum County/Tribal Rates should remain in place until the 2006 Percent Urbanization Rates are implemented. The 2006 Percent Urbanization Rates will be implemented effective February 26, 2006. This will give DWD adequate time to notify child care providers and partner agencies of these changes.

No automation is needed to freeze rates.

PERCENT URBANIZATION RATES

The 2006 reimbursement rates will be calculated differently than in past years. In past years, the reimbursement rates were calculated for each county/tribe by finding the price that providers charge that would allow up to 75% of the child care slots to be purchased for licensed group and licensed family providers without exceeding the reimbursement rate. This is referred to as setting rates at the 75th percentile. The intent is to set reimbursement rates that are reflective of the private market so that parents using Wisconsin Shares have a wide variety of providers to choose from whose rates are at or below the reimbursement rates.

Some local agencies and child care providers have indicated that the Wisconsin Shares reimbursement rates in their county/tribe are substantially higher than private market rates. They have indicated that it is common practice for providers to have two sets of rates; one for private pay based on "scholarships/discounts" and one for Wisconsin Shares. Other local

agencies and child care providers have indicated that the reimbursement rates in their county/tribe are set so that only parents whose children are receiving subsidy from Wisconsin Shares can afford regulated child care. The child care slots are filled mostly by Wisconsin Shares subsidized children as the price is set too high for private payment families to afford. This has almost eliminated the private market in some communities. Still other local agencies and child care providers have indicated that reimbursements rates in their county/tribe are set too low. This could be the result of there being very few (or in some cases, no licensed providers) in which to survey to set the reimbursement rate.

Due to the reasons cited above, DWD has determined that rates are to be set by zones and the increase and decrease in rates will be limited to no more than 10%. Four rate zones have been established. The zones are 0-24%, 25-49%, 50-74%, and 75-100% urbanization. Data from the United States Census report identifies what percentage of population in a county live in an urban area. The percent of urban population will determine into which zone the county will be grouped. The 75th percentile is found for all counties in each urban rate zone.

By using the urban rate zone approach, the sample used to find the 75th percentile will become larger and more statistically valid. It groups more licensed group and family providers into the rate calculation. Since these providers are in counties with similar percentages of urbanization, the cost of living and price setting in the private market should be similar.

The result of the urban rate zone approach is that some rates will increase and some rates will decrease. The licensed group and licensed family weekly rates will not be increased or decreased by more than 10%. Counties that had very low rates as compared to other counties in their same urban rate zone will see their rates increase. Counties that had very high rates as compared to other counties in their same rate zone will see their rates decrease. The urban rate zone approach allows DWD to continue to set reimbursement rates at the 75th percentile so that rates continue reflect the private market.

Tribes will be put into an urban rate zone based on the neighboring county that best reflects their percentage of urbanization. DWD has grouped tribes in the same urban rate zone as the county they had chosen to use for 2005 reimbursement rates.

The urban rate zone approach will become effective on February 26, 2006. DWD will calculate the 2006 maximum rates for each urban rate zone and update the CARES table TCMR with 2006 rates. The rate mass change will run on February 18, 2006 and the rate mass change notices will be mailed on February 20, 2006.

Local agencies should update licensed provider rates by entering the new/changed rates in CSAW – if they have not already done so. Enter the rate effective date as the date the provider has indicated the rates to be effective. There is no need to enter rates if the provider rate has not changed as compared to the rates currently in CSAW.

The 2006 urban rate zones are as follows:

A (0-24%)	B (25-49%)	C (50-74%)	D (75-100%)
Adams	Ashland/Bad River	Calumet	Brown/Oneida Tribe
Bayfield/Red Cliff	Barron	Douglas	Dane
Buffalo	Chippewa	Fond du Lac	Eau Claire
Burnett	Columbia	Manitowoc	Kenosha
Clark	Crawford	Marathon	La Crosse
Florence	Dodge	Jefferson	Milwaukee
Forest/Sokaogon	Door	Outagamie	Racine
Iowa	Dunn	Ozaukee	Rock
Juneau	Grant	Portage	Waukesha
Kewaunee	Green	Sauk	Winnebago
Lafayette	Green Lake	Sheboygan	
Marquette	Iron	Walworth	
Menominee	Jackson	Washington	
Oconto	Langlade	Wood	
Pepin	Lincoln		
Polk	Marinette		
Price	Monroe		
Sawyer/ La Courte Oreilles	Oneida		
Shawano	Pierce		
Taylor	Richland		
Trempealeau	Rusk		
Vernon	St Croix		
Vilas/Lac du Flambeau	Waupaca		
Washburn			
Waushara			

The 2006 Rates by Urbanization are located at the following web site:

<http://dwd.wisconsin.gov/dws/programs/childcare/wishares/rates.htm>

STANDARDIZE THE DIVISOR

Currently, each county/tribe can chose a divisor of 30, 35, or 40 for each category of care (licensed group, licensed family, regularly certified, and provisionally certified). This allowed each county/tribe to set the hourly reimbursement rate that best reflected the hourly cost of part time care.

In order to consistently set rates using the urban rate zone approach, the same divisor must be used for each zone, county/tribe, and category of care. The divisor of 35 was selected as the statewide divisor based on the results of the rate survey conducted in the summer of 2005. Licensed group providers indicated that they charged a fulltime rate beginning at 32 hours per week. Licensed family providers indicated that they charged the fulltime rate beginning at 35 hours per week.

DWD will update the divisor to 35 for all counties/tribes and categories of care in the CARES table TCMR.

ELIMINATE 10-DAY NOTICE

Current policy is to end the authorization with 10-day notice if the child will no longer be in care.

This required workers to end authorizations 10 days in the future so that a provider has the opportunity to fill the slot prior to the authorization ending. This policy was created to mirror the private market practice where providers require a 1-2 week notice when the child will stop attending so that they can fill the slot and keep income coming in for that slot.

The intent of the policy is reasonable, however the implementation was extremely difficult and resulted in DWD paying for empty slots in order to provide the 10-day notice. The policy was difficult for parents and providers to understand and it was seldom communicated timely to local agency staff when an authorization needed to be ended early.

For example, parents contacted their worker after they had changed providers. The worker had to end the authorization to the previous provider with 10-day notice. The authorization to the new provider should not have begun until the end of the 10-day notice. However, the child was already receiving care at the new provider and in order to maintain the child care arrangement so that the parent could continue to work, authorization was made to the new provider for the same time period as the 10-day notice to the previous provider.

Another example of the difficulty in implementing this policy was that some providers did not understand the policy. Some providers expected a 10-day notice every time an authorization ended including when the authorization ended as originally communicated. The policy was to end authorizations with 10-day notice if they were being ended earlier than originally communicated.

Local agency staff has been advocating that this policy to be eliminated due the complications of implementing the policy as described above.

DWD believes giving appropriate notice to the provider should be an agreement between the parent and provider and that the Wisconsin Shares child care subsidy program should not be involved in this agreement or responsible for making payment for the 10-day notice when the parent does not give appropriate notice to the provider. Local agency staff will need to make parents aware of this policy when they meet with them at time of application, review, and at any point of contact when the authorization is ended earlier than originally communicated.

Beginning February 26th, when workers end authorizations manually, the authorization should be ended the Saturday of the last week the child actually attended.

Beginning February 26th, the Child Care Statewide Administration on the Web (CSAW) will end authorizations in the Saturday batch cycle when two consecutive weeks of zero hour attendance has been reported on enrollment based authorizations in the Child Care Provider Information (CCPI) system. The authorization will be ended the Saturday of the second week of zero hour attendance but no payment will be made for those two weeks of zero hour attendance. If the two consecutive weeks of zero hour attendance have been entered into CCPI in two different weeks, CSAW will not pay for the second week of zero hour attendance and will automatically create a negative adjustment for the first week of zero hour attendance where payment had been issued.

Example 1: The attendance period is 3/12/06 – 3/25/06. Two consecutive weeks of zero hour attendance is entered on 3/29/06 for the attendance period. The authorization is enrollment based. CSAW ends the authorization effective 3/25/06. No payment is issued for the weeks of 3/12/06 or 3/19/06.

NOTE ➤The scenario would be the same if the two consecutive weeks of zero hour attendance spanned two different attendance periods. For example, the two weeks of zero hour attendance occurred the weeks of 3/19/06 and 3/26/06.

Example 2: The attendance period is 3/12/06 – 3/25/06. Zero hour attendance is reported on 3/29/06 for the week of 3/12/06. The authorization is enrollment based. The condition of two consecutive weeks of zero hour attendance does not exist. The issuance cycle runs and payment is issued the week of 4/2/06.

Zero hours attendance is reported on 4/5/06 for the week of 3/19/06. Now there are two consecutive weeks of zero hour attendance. The issuance cycle runs and the authorization is ended effective 3/25/06. No payment is issued for the week of 3/19/06. CSAW automatically creates a negative adjustment for the week of 3/12/06. CSAW will mail an overpayment notice on 4/10/06. CSAW will recoup the overpayment at 50% of future issuance beginning with the 4/24/06 issuance.

NOTE ➤The scenario would be the same if the two consecutive weeks of zero hour attendance spanned two different attendance periods. For example, the two weeks of zero hour attendance occurred the weeks of 3/19/06 and 3/26/06.

Local agency staff will continue to monitor for under utilization and modify authorizations as needed.

More information will be sent regarding the implementation of this policy change in January/February.

The 10-day notice is still required when ending an authorization due to loss of eligibility. If eligibility is lost due to the parent no longer being in an approved activity, end the authorization with 10-day notice. If eligibility is lost for being over income, the authorization can continue to the end of eligibility. See the Day Care Manual, chapter 2, section 2.4.2.2 for more information.

ELIMINATE THE PAYMENT OF REGISTRATION FEES

Currently, DWD pays registration fees to licensed and certified providers up to \$50 per child, per year. The intent of this policy was to mirror the private market practice of charging registration fee payments. Milwaukee and Dane Counties issue registration fee payments one time per year based on attendance for a two week time period. The balance of state issues registration fee payments upon request from the provider.

Local agency staff has indicated that in many cases DWD may be paying a registration fee payment that is not charged or a much higher registration fee payment than is charged to private pay families. DWD has decided to no longer pay registration fee payments effective February 26, 2006.

Beginning February 26, 2006 local agency staff will no longer be able to enter registration fee payments on the CSAW Registration Fee page. Local agency staff will be able to query registration fee payments that were issued prior to February 26th.

COMMUNICATION OF NEW POLICY

DWD will communicate the new policy to child care providers through check/EFT stuffers that will be sent with the January 9, 17, 23, and 30, issuance. A check stuffer is attached to this document. We have posted the final version and we will alert local agencies to it through the child care listserv.

DWD has developed a web site for providers, parents, and the general public that will explain the policy changes in a frequently asked questions (FAQ) format. The web site also displays the new 2006 maximum rates for each county and tribe. The web site is located at: <http://dwd.wisconsin.gov/dws/programs/childcare/wishares/rates.htm>

DWD will also communicate these policy changes to our other partners including (but no limited to): Bureau of Regulation and Licensing, child care resource and referral agencies and network, Wisconsin Child Care Information Center, Wisconsin Early Childhood Association, Wisconsin Child Care Improvement Project, UW- Extension, The Registry, Department of Public Instruction, and Child Care and Adult Food Program.

DWD will include an article regarding the policy changes in the next Wisconsin Child Care Information Center newsletter.

DWD is asking providers and local agencies to communicate the policy changes to parents. Providers and local agencies can make copies of the check stuffers and hand them out to parents. We ask providers to do this in the check stuffer.

NOTE ➤Local agency staff should refrain from sharing this information with parents and providers until the check stuffers have been mailed on January 9th. Local agency staff should ensure that they hand out the final version of the check stuffer.

RESPONDING TO QUESTIONS REGARDING THE POLICY CHANGES

The check/EFT stuffer indicates that parents and providers can contact the Child Care Help Desk at 608-261-6317 option 2 with their questions and comments. DWD will have the Child Care Help Desk staffed to address these calls. Local agencies should feel free to answer questions regarding **what** the policy is. Local agencies should refer questions to the Child Care Help Desk regarding **why** the policy has changed. Also refer parents and providers to the Child Care Help Desk if they wish to express comments regarding the policy changes.

DWD would like to respond to provider and parent questions/comments in this way in an effort not to substantially add to local agency workload, eliminate any potential adversarial discussions between local agencies and parents/providers, and provide a consistent message in response to questions/concerns.

If you have questions or comments regarding the changes in the child care policy, please contact the Child Care Help Desk or email them to Child Care Section staff. This is outside of the usual practice of contacting the CARES Call Center but we believe this will provide greater efficiencies for everyone. Please continue to contact the CARES Call Center for all other Wisconsin Shares policy and automation questions/issues.

Issue	Who Should Respond
Parents or providers want an explanation of the new policy.	Local agency staff.
<ul style="list-style-type: none"> • Parents or providers want to know why the policy has changed or they want to comment upon the change • Local agencies have questions/comments about the new policy. • Providers need help with the Child Care Provider Information (CCPI) system • Local agencies have questions with certification or the Child Care Provider Certification (CCPC) system. 	Child Care Help Desk
Local agencies have questions about other Child Care policy or automation issues not related to this operations memo.	CARES Call Center

OTHER STATES

The Wisconsin Shares program has been fortunate that it has not had to implement any policy changes in order to control costs prior to 2006. Many other states have had to implement policies in order to cut costs over the past few years. Many states have had to create waiting lists, raise eligibility limits, freeze rates for several years, and increase copays.

CONTACTS

BEM CARES Information & Problem Resolution Center

★Program Categories – FS – FoodShare, MA – Medicaid, SC – Senior Care, CTS – Caretaker Supplement, CC – Child Care, W-2 – Wisconsin Works, FSET – Food Stamp Employment and Training, CF – Children First, EA – Emergency Assistance, JAL – Job Access Loan, JC – Job Center Programs, RAP – Refugee Assistance Program, WIA – Workforce Investment Act, Other EP – Other Employment Programs.

DWD/DWS/BDS/RB